



Washington State Department of
Labor & Industries

Workers' Compensation Services



Your Premium Dollars at Work

*Washington's Workers'
Compensation System*



December 2015

Dear Employer:

“By changing nothing, nothing changes,” is one of my favorite quotes. In looking back at 2015, L&I embraced a number of changes along with our partners in labor, business and healthcare to support injured workers returning to work and, as a result, control costs.

L&I made huge strides toward improving return-to-work opportunities for injured workers this past year. About 4,000 businesses received nearly \$40 million in reimbursements to support over 16,000 injured workers with light-duty jobs while they recovered from their injuries. At the same time, our preliminary analysis showed the Medical Provider Network met its goals for improving patient outcomes and preventing high-cost disabilities while saving nearly \$35 million last year.

Additionally, L&I focused on new approaches to vocational rehabilitation that will ensure counselors get involved with injured workers and employers earlier in a claim to significantly increase the likelihood of returning to work. Our use of historical claims data to identify those workers at greatest risk for long-term disability allows us to expedite getting our state-wide nursing and early-return-to-work specialists connected to those most in need of support.

Attention to avoiding disability early in claims is resulting in millions of dollars of savings to the workers' compensation system, helping control premium rates and keep increases under the rate of wage inflation.

L&I will continue to work with business and labor to create and maintain safe workplaces to avoid injuries in the first place, which is the best way to control workers' comp costs.

Additionally, the agency is working hard to identify dishonest businesses and workers who intentionally try to defraud the system. These “bad actors” unfairly compete with honest

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businesses and impact well-meaning injured workers by taking advantage of the system.

Last year, L&I assessed \$19.4 million in unpaid employer premiums plus penalties. L&I also criminally prosecuted 12 out of 100 cases of worker fraud assessments. This is a small subset of the 3,524 investigations to gather information that helps staff manage claims.

2016 will bring even more change as we place greater emphasis on safety and support for injured workers. We'll also announce new return-to-work incentive programs and online business transaction tools to make it easier for you to do business with L&I. I look forward to sharing more with you in 2016.

Best wishes for a safe and prosperous year ahead.



Vickie Kennedy
Director of Insurance Services

What is Workers' Compensation?

It is a no-fault insurance for work-related injuries and illnesses that protects both employers and workers. No-fault means workers give up their right to sue their employer for a work-related injury or illness. The insurance also protects employers from the cost of extended claims and tort liability.

Who is covered?

Workers' compensations insurance through the Department of Labor & Industries (L&I) covers 174,000 employers and about 2.5 million workers. Premiums and investment earnings finance the program. Workers pay on average about 25% of the premium, while employers pay the remaining 75%. Washington is the only state where workers pay a significant portion of the premium.

Workers' Compensation Statistics at a Glance

| Operating Environment | FY 2015 | FY 2014 |
|---|-----------------|-----------------|
| Employers Insured | 174,000 | 169,000 |
| Workers Covered | 2,690,000 | 2,580,000 |
| Hours Reported | 3,538,000,000 | 3,388,000,000 |
| Premiums Assessed (employers' portion)* | \$1,624,000,000 | \$1,514,000,000 |
| Premiums Assessed (workers' portion)* | \$386,000,000 | \$343,000,000 |
| Benefits Incurred | \$1,880,432,000 | \$2,131,342,000 |

| Claim Statistics | FY 2015 | FY 2014 |
|--|-----------|-----------|
| Number of Claims Filed | 109,359 | 106,903 |
| Number of Claims Accepted | 82,707 | 86,968 |
| Number of Claims Denied | 14,098 | 14,593 |
| Number of Fatal Pensions Awarded | 61 | 51 |
| Number of Total Permanent Disability Pensions Awarded | 1,063 | 1,085 |
| Number of Claims Closed with Permanent Partial Disability Awards | 10,769 | 10,431 |
| Number of New Time-loss (Wage Replacement) Claims | 19,509 | 20,049 |
| Number of Medical-only Claims Accepted | 66,411 | 69,752 |
| Number of Injured Workers Completing Training Plans** | 474 | 501 |
| Total Number of Days Lost from Work | 6,841,091 | 7,054,849 |

| Demographics of Accepted Claims | FY 2015 | FY 2014 |
|------------------------------------|---------|---------|
| Percent of Injured Workers Male | 67% | 67% |
| Percent of Injured Workers Female | 33% | 33% |
| Average Worker Age at Injury | 38 | 38 |
| Percent of Workers Under Age 30 | 29% | 28% |
| Percent of Workers Age 30-50 | 45% | 46% |
| Percent of Workers Age 51 and Over | 24% | 24% |

| Most Frequent Injuries | FY 2015 # of Claims |
|---|------------------------|
| Back, spine and spinal cord: Traumatic injuries to muscles, tendons, ligaments, and joints (includes sprains and strains) | 10,624 |
| Finger(s): Open wounds of finger(s), fingernails (includes cuts and lacerations, and amputation of fingertip or finger) | 9,429 |
| Shoulder: Traumatic injuries to muscles, tendons, ligaments, joints, etc. including clavicle and scapula (injuries to muscles, tendons, and ligaments that are not specifically otherwise classified) | 3,728 |
| Leg(s): Traumatic injuries to muscles, tendons, ligaments, joints, etc., such as knee and thigh (excludes ankle and hip) | 3,696 |
| Face: Surface wounds and bruises (includes splinter or other foreign body in eye, and bruises or contusions of the forehead) | 3,473 |

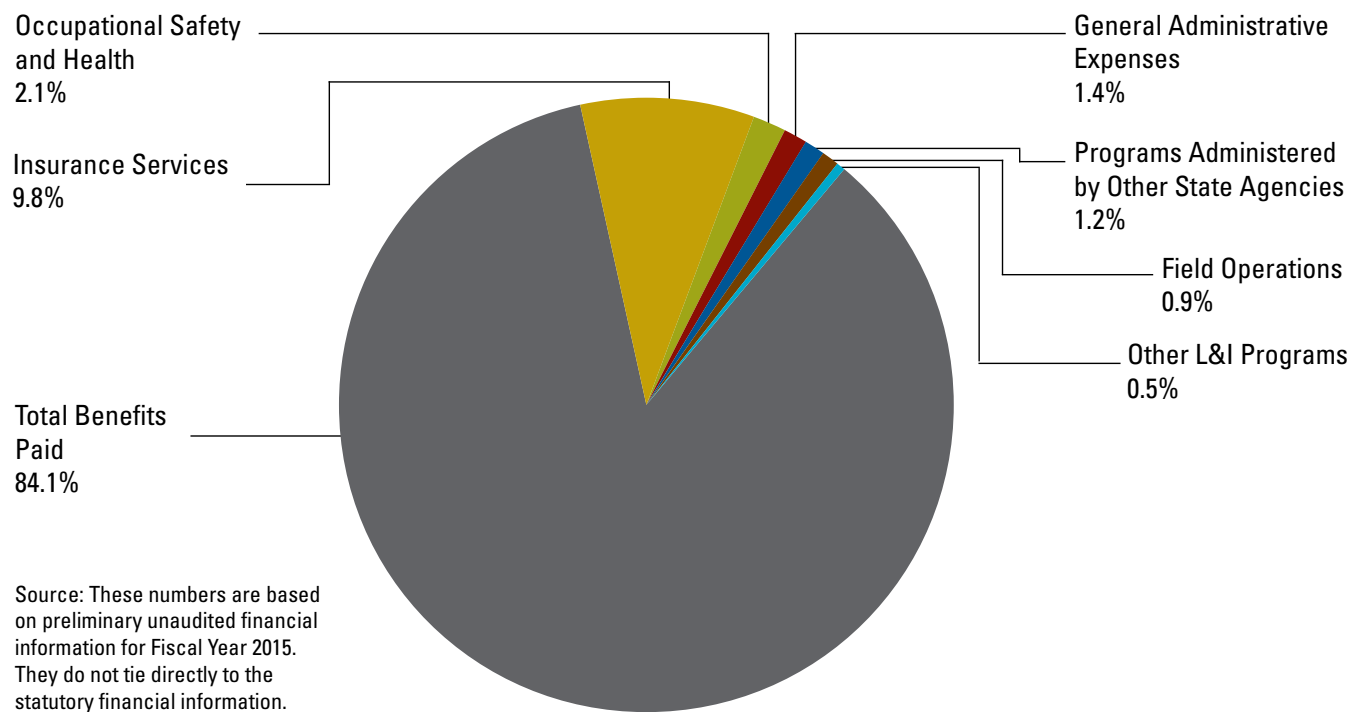
Notes: The data are a snapshot of FY 2015 (year ending June 30, 2015) as of fall 2015.
 Because of rounding, some columns may not add up to 100%.
 Counts of accepted and denied claims reflect actions in that year regardless of when claim was filed.
 Counts of new time-loss (wage replacement) claims reflect claims with first time-loss payments, regardless of year claim was accepted.

* Includes Accident, Medical Aid, and Stay at Work premiums.

** Includes only training plans successfully completed during the year.

Your State Fund Premium Dollars at Work

An accounting of programs and services funded with your insurance dollars
July 1, 2014, through June 30, 2015



| EXPENSE CATEGORY | AMOUNT PAID | PERCENTAGE |
|---|-----------------|------------|
| Total Benefits Paid | \$1,504,529,287 | 84.1% |
| ■ Injured workers’ medical treatment, partial wage replacement, disability and pension benefits (excludes cost-of-living adjustments); employer reimbursements under the Stay at Work Program, structured settlement payments | | |
| Insurance Services | 175,590,690 | 9.8% |
| ■ Claims Management: Manage claims, medical treatment and vocational services, pay benefits | \$74,756,507 | 4.2% |
| ■ Insurance Services Division Expenses | \$27,271,710 | 1.5% |
| ■ Health Services Analysis and Office of the Medical Director: Control medical/ drug costs, manage medical providers, develop treatment guidelines, pay medical treatment bills | \$23,239,981 | 1.3% |
| ■ Information Services: Technology development, and maintain data and voice systems | \$14,150,495 | 0.8% |
| ■ Fraud, Collection and Audit: Investigate worker, employer and provider fraud; conduct audits; collect overpayments and delinquent premiums | \$13,207,528 | 0.7% |
| ■ Legal Services: Manage appeal cases, recover claim costs from third parties | \$11,835,730 | 0.7% |
| ■ Employer Services: Manage employer accounts, assess and collect premiums | \$11,128,739 | 0.6% |
| Occupational Safety and Health | \$38,098,897 | 2.1% |
| ■ Division of Occupational Safety and Health: Provide safety and health compliance, consultation and education | \$36,158,866 | 2.0% |
| ■ Safety and Health Assessment and Research for Prevention (L&I’s safety/health research program) | \$1,940,031 | 0.1% |
| General Administrative Expenses | \$25,634,029 | 1.4% |
| ■ Human resources, budget and accounting, facilities maintenance, director’s office support of workers’ compensation | | |
| Programs Administered by Other State Agencies | \$21,336,352 | 1.2% |
| ■ Board of Industrial Insurance Appeals: Independent board, hears appeals in workers’ compensation cases and safety and health citations | \$15,647,966 | 0.9% |
| ■ University of Washington Dept. of Environmental & Occupational Health Sciences: Promote safer workplaces and prevent occupational injuries and diseases through teaching, research and service | \$4,913,299 | 0.3% |
| ■ Health Care Authority: Consolidation of prescription drug purchasing by L&I and other agencies, manage preferred drug list | \$260,250 | <0.1% |
| ■ Joint Legislative Audit and Review: Contracted to perform a performance audit of workers’ compensation claim management system | \$353,608 | <0.1% |
| ■ Department of Health: Consolidation of L&I and Dept. of Health responsibilities for inspection of farm worker housing | \$161,229 | <0.1% |
| Field Operations: L&I Offices and Staff Costs Statewide | \$15,395,360 | 0.9% |
| Other L&I Programs | \$8,881,978 | 0.5% |
| ■ Employment Standards/Workplace Rights: Enforce laws regulating child labor, minimum wage, overtime and working conditions | \$6,857,142 | 0.4% |
| ■ Apprenticeship: Oversee registered apprenticeship to build a skilled workforce | \$2,024,836 | 0.1% |
| TOTAL EXPENSES | \$1,789,466,593 | 100.0% |

Note: Because of rounding, some columns may not add up to 100%.